



G A O

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United States General Accounting Office
Washington, DC 20548

August 10, 2001

The Honorable John D. Dingell
Ranking Minority Member
Committee on Energy and Commerce
House of Representatives

Dear Mr. Dingell:

We received your letter dated, July 30, 2001, requesting the General Accounting Office to conduct a follow-up study concerning a recent report on fines collected by the Securities and Exchange Commission and the Commodity Futures Trading Commission.

GAO has accepted your request as work that is within the scope of GAO's authority. To fully respond to your request, we have determined that GAO may be unable to initiate work for approximately 4 months because we do not have staff with the required skills available at this time. We have assigned your request to Mr. Thomas McCool, Managing Director for Financial Markets and Community Investment. Mr. McCool or a member of his team will contact your staff to discuss the request, your needs, and the assignment's objectives, scope and methodology in accordance with our protocols.

If you have any questions, please contact Mr. McCool on (202) 512-8678 or me on (202) 512-4507.

Sincerely yours,

Doris E.L. Cannon
Assistant Director
Congressional Relations



THE CHAIRMAN

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

August 31, 2001

The Honorable John D. Dingell
Ranking Member
Committee on Commerce
U.S. House of Representatives
2322 Rayburn House Office Building
Washington, D.C. 20515-6115

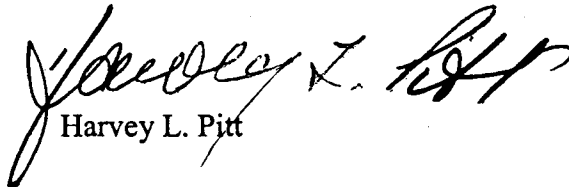
Dear Congressman Dingell:

Thank you for your letter of July 30, 2001, discussing the recent General Accounting Office (GAO) report, SEC and CFTC: Most Fines Collected, but Improvements Needed in the Use of Treasury's Collection Service (GAO-01-900, July 16, 2001), which was prepared at your request. We appreciate your encouragement of our efforts in this area.

As indicated in its report, we are already working to implement certain recommendations in the GAO's report. The Commission will be responding in writing to those recommendations within 60 days of the date of the report as required by statute, and we will provide you with a copy of our response.

Thank you for your interest in the work of the Commission.

Yours truly,


Harvey L. Pitt



THE CHAIRMAN

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

September 21, 2001

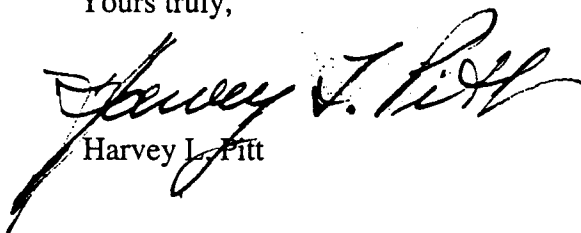
The Honorable John D. Dingell
Ranking Member
Committee on Commerce
U.S. House of Representatives
2322 Rayburn House Office Building
Washington, D.C. 20515-6115

Dear Congressman Dingell:

As promised in my letter of August 31, 2001, I am providing you with a copy of the Commission's response to the recent General Accounting Office report entitled SEC and CFTC: Most Fines Collected, but Improvements Needed in the Use of Treasury's Collection Service (GAO-01-900, July 16, 2001), which was prepared at your request.

Thank you for your interest in the work of the Commission.

Yours truly,


Harvey L. Pitt

Enclosure



THE CHAIRMAN

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

September 21, 2001

The Honorable Dan Burton
Chairman
Committee on Government Reform and Oversight
U.S. House of Representatives
2157 Rayburn House Office Building
Washington, D.C. 20515

Dear Chairman Burton:

I am writing in response to a report from the General Accounting Office (GAO) entitled SEC and CFTC: Most Fines Collected, but Improvements Needed on the Use of Treasury's Collection Service (GAO-01-900, July 16, 2001). The report presents the results of a GAO review of the collection of fines by the Commission, the Commodity Futures Trading Commission, and the nation's securities and futures self-regulatory organizations (SROs), and provides updated information on a similar report published in November 1998. Based upon this review, the report makes three recommendations to the SEC.

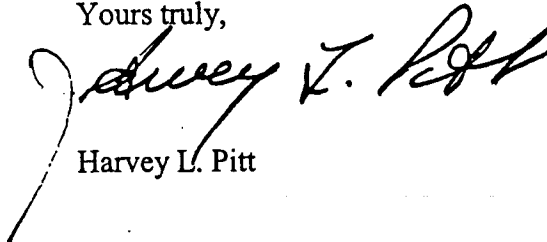
First, the report recommends that the SEC periodically assess the pattern of applications for readmission to the securities industry to ensure that the changes in the NASD's fine imposition practices do not result in any unintended consequences, such as inappropriate readmissions. We share the concerns of the GAO in this matter, and are mindful of any unintended consequences that may result from the changes in the NASD's fine assessment practices. Pursuant to Rule 19h-1 under the Securities Exchange Act of 1934, the SEC reviews all SRO decisions to readmit persons subject to statutory disqualifications, which include persons subject to SRO or SEC bars. The SEC staff evaluates each of these decisions to ensure that the SROs comply with the requirements of Rule 19h-1. We consider the appropriateness of readmission at that time and have alerted our staff to consider the issues identified by the GAO in connection with those reviews.

Second, the report recommends that the SEC continue working with the Financial Management Service of the Department of Treasury (FMS) to ensure that compromise offers presented to the SEC by FMS are approved in a timely manner. Following discussions with FMS staff, the SEC staff has adopted policies to ensure that FMS is provided with timely responses to compromise offers submitted to us. Specifically, the Division of Enforcement has adopted procedures intended to facilitate responses to all FMS recommendations within 30 days of receipt of the necessary information on compromise offers.

Third, the report recommends that the SEC take steps to ensure that regulations allowing SEC fines to be submitted to the Treasury Offset Program are adopted. After a careful review of current regulations, the staff has prepared for the Commission's consideration amendments to the existing regulations to ensure that the Commission has full authority to implement the tools authorized by the Debt Collection Improvement Act of 1996 (DCIA). If adopted, the revised rules would conform the Commission's rules to the DCIA and the revised Federal Claims Collection Standards adopted by the Department of the Treasury and the Department of Justice in November 2000. The new rules also would provide the full range of DCIA tools for collection of debts arising from the Commission's operations, including enforcement of the federal securities laws. These tools include federal salary offset, administrative wage garnishment, and administrative offset against amounts owed to the debtor by the federal government, in addition to tax refund offset. If these regulations are adopted, the staff will direct FMS to apply these regulations in connection with uncollected debts forwarded by the SEC.

Thank you for your interest in the work of the Commission. I appreciate the opportunity to comment on this important report.

Yours truly,

A handwritten signature in black ink, appearing to read "Harvey L. Pitt", is written over a large, stylized, handwritten letter "J".

Harvey L. Pitt

Similar letters sent to: Honorable Robert Byrd
Honorable Joseph I. Lieberman
Honorable C.W. Bill Young